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*"The War Manpower Program—Present and Future" by Lawrence Appley,
Executive Director, War Manpower Commission The Trend of Business*

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The Cover

Santa Fe, capital of New Mexico, is one of the oldest towns in the United States, having been settled by the Spaniards in 1609. It was the site of prehistoric Indian pueblos.

The Pueblo Indians drove out their Spanish conquerors in 1680 and were independent until 1692 when Diego de Vargas secured their submission.

A trade originated in sheep, wool pelts, and wines, chiefly with the Chihuahua and Plains Indians. An extensive trade with the United States later centered in Santa Fe. Starting with pack mules, this was followed by wagon trains out of Independence and Kansas City over the Santa Fe Trail.

During the Mexican War the Army of the West, commanded by Col. Stephen Watts Kearny, occupied Santa Fe on August 18, 1846. A few months later, Mexicans assassinated the new governor, Charles Bent, and other Americans. The revolt was quickly controlled.

Santa Fe today is a shipping center for pinon nuts and Mexican and Indian curios and a transfer center for potatoes, livestock, and fruit. Manufactures include hand-made cravats and Indian jewelry, and Mexican and Indian blankets and rugs as well as textiles. In Santa Fe and vicinity are trout and bass fisheries, lead, zinc, coal, gold and silver mines, and farming.

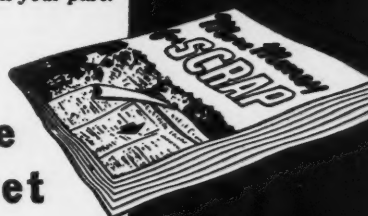
The city had a population of 20,325 in 1940. Its 18 manufacturing establishments in 1939 employed an average of 131 persons and produced goods valued at \$628,181. The 231 retail stores in 1939 had sales of \$8,021,000; the 58 service establishments (not differentiated from the rest of Santa Fe County) receipts of \$417,000; and the 21 wholesale stores, sales totalling \$4,269,000.

The cover print, from the Phelps-Stokes Collection, New York Public Library, pictures Santa Fe and vicinity as it appeared from the east in 1849.

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The WAR MANPOWER PROGRAM



INSPECTING BADGES, WRIGHT AERONAUTICAL CORP., PATERSON, N. J.—CUSHING PHOTOGRAPH

LAWRENCE A. APPLEY

Deputy Chairman and Executive Director,
War Manpower Commission

Vice-President, American Management Association
Vice-President, Vick Chemical Company

PRESENT *and Future*

PROBABLY the most erroneous conception existing in the minds of some is that "manpower is over the hump." Anyone who makes such a statement or who believes it with any degree of conviction is sadly lacking in a basic understanding of the human element.

"Manpower" is a wartime term for "personnel" and "personnel" is a peacetime term for "people." "Over the hump," I presume, means "past the problem stage." People, or activities dealing with people, are never past the problem stage. There has never been a time when there have not existed problems in connection with personnel.

The first task, therefore, in this presentation is to define the particular kind of personnel problem that now exists, to place it in its proper setting so that it might be more understandable, to make some predictions as to the nature of personnel problems ahead of us and to give some indication of methods for meeting these problems.

In 1939, we were producing \$1,400,000,000 in munitions of war under what was known as a defense program. Large segments of the people in this country did not believe we would be actively engaged in the second world war and certainly none conceived that if we were to become so engaged we would ever be called upon to do the job that has been done during the four years since.

At that time there were approximately ten million unemployed. It was a buyer's market. We still possessed age-old prejudices against the use of minority groups, physically handicapped, women, youngsters, and oldsters in the shops, the production lines, and the offices of American industry.

Then came Pearl Harbor. That incident on December 7, 1941, will probably go down in history as one of the single events that brought about with great suddenness the greatest change in the greatest number of individual lives.

War production in 1943 amounted to \$67,000,000,000. That amount was expended for the production required by our armed forces and for lend-lease

to our allies. This gave us a total war and non-war production in 1943 of \$146,900,000,000, at 1939 prices, as compared with \$88,600,000,000 in 1939. Such a colossal achievement is unparalleled in ancient, mediæval, or modern history.

In July 1940, there were 48,100,000 workers in the armed forces and the labor force in this country. On July 1, 1943, there were 63,600,000 workers in the employed labor force including the armed forces. This is an addition to the total labor force of this country totalling 15,500,000 people. Due to the fact that a large percentage of this increase has gone to the armed forces, it is perfectly obvious that this huge war production superimposed upon a civilian production was not accomplished by the additional people in the labor force only. It was also accomplished by greater utilization of the entire labor force, civilian and war, old and new.

There are approximately 3,500,000 more women in the labor force than would be normally expected at this time under peacetime employment.

Over two million people who, by peacetime standards are considered unemployable, are now part of the labor force. Great uses have been made of part-time workers including housewives, school children, and individuals doing war work over and above their normal job activities. Hours of work have been increased. Productiveness per man hour has increased.

This great history-breaking production program has meant a job for everyone who wanted one and could possibly work. It has meant high wages. It has meant unprecedented prosperity. Through it all there has been an increase in average standard of living throughout this country.

If you are interested in a slight glimpse into what the future holds, subtract the war production from the total production in this country, bring back into the labor force millions of men who are now under arms, and compare the job opportunities, the salaries, the individual standard of living that will then exist unless something spectacular is done to substitute some kind of peacetime production for the tremendous gap left by the discontinued war production.

What Is Ahead?

During the last two years the greatest volume of complaints from employers and workers has been directed toward uncertainties, confusion, and lack of definite planning. Employers have not had long range and definite production schedules and some have operated within only a few hours of the end of materials on hand.

Workers have been confused as to where they were needed. They have wanted more definite information as to whether and when they would be called for military service or under what conditions they would be deferred for essential occupations.

Those who have made such complaints have little conception of the nature of war. The requirements of the armed services change daily and each campaign changes production schedules. Each failure or each success changes demands upon selective service. The confusion has been added to further by wishful thinking and faulty and unreliable or unsubstantiated predictions from various sources.

Uncertainty and confusion is inherent in wartime planning. That is fact, not fancy! That is realistic, not apologetic! The next several months con-

tain greater uncertainties than any previous period during the last two years. There will probably be greater confusion and, in direct proportion, a greater volume of complaints. There is one cold stark fact which no one can dispute and it should be burned into our consciousness in capital letters: *There can be no more definiteness or no more certainty in plans for the future until the course of events in Europe becomes more clear.*

It is, therefore, a very precarious position in which I now find myself in endeavoring to look into the future. I refuse to look beyond the next several months. That which I am about to predict is based only on what is now known and what may be reasonably expected. It may be changed completely by some event in the war theaters within the next twenty-four hours.

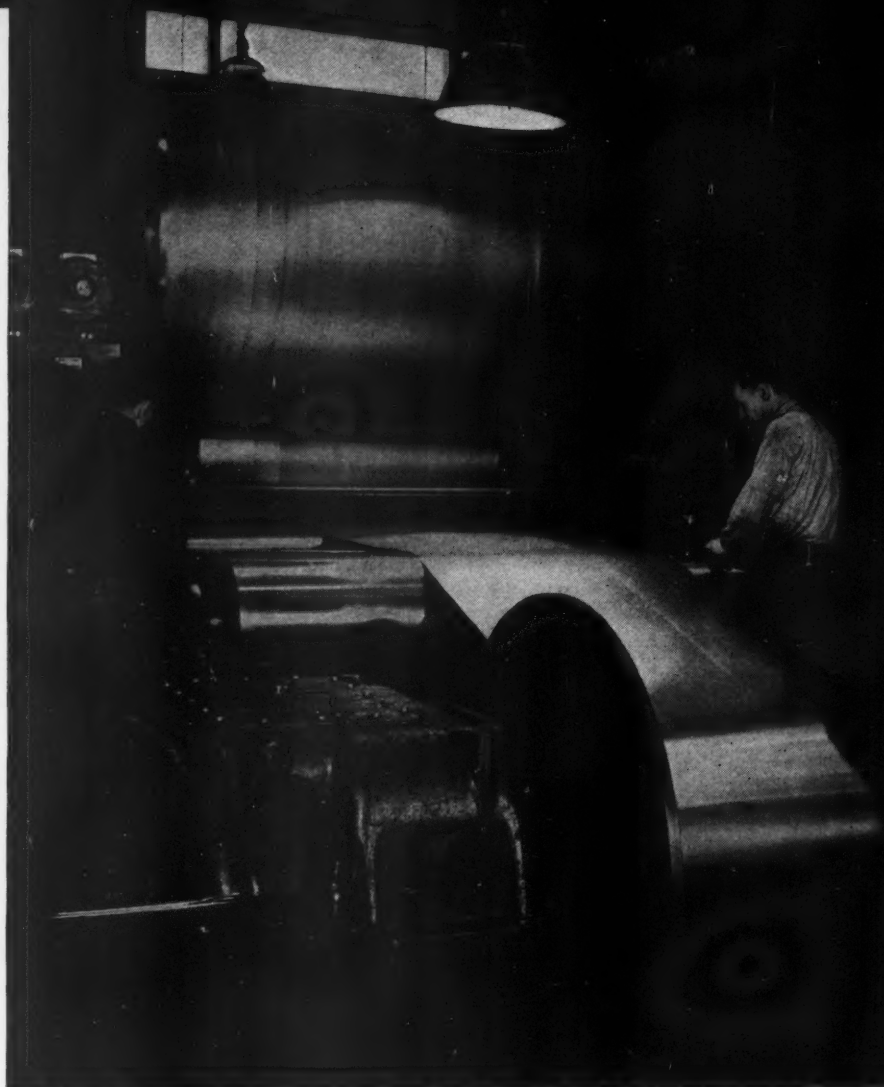
Insofar as can now be determined, war production will continue until July 1 at approximately the same level it at-

tained during the last quarter of 1943. This is in terms of total production.

Within that total there will be radical adjustments. On some articles there will be reductions or cancellations. In others there will be increases. New items will go into production. Old items that have been discontinued may be called for again.

While there are individual situations where new civilian production may be justified, there is no justification at this time for any over-all increase in civilian production.

In comparing civilian manpower figures, it is necessary to compare July with July because of seasonal peaks. For example, while the total labor force in July 1943, was 64,800,000, in January 1944, it was 60,700,000. The difference is due mostly to a seasonal drop in the number of agricultural workers. They are school children, teachers, and others who work in agriculture and who otherwise would not be engaged



KESSEL PHOTOGRAPH FROM LEWIS

in their regular activities during the Summer season.

By July 1944, as compared with July 1943, there will be approximately one hundred thousand more workers required in the civilian labor force. This increase is to be found in transportation, fuel, utilities, etc. The armed forces require an increase in net strength of eight hundred thousand in July 1944, as compared with January 1, 1944. Since most of these come from the labor force it is, therefore, estimated that an additional nine hundred thousand people have to be added to the total labor force. This is not news, but requires repetition at this point.

All this adds up to the fact that we have reached a plateau in the production and manpower situation. Having reached the peak late in 1943 we are now levelling off.

It is necessary to point out that we have not yet started down. Any prediction as to when we will cannot be safely made until the military picture is much clearer than it is at this time.

Climbing vs. Staying

Since we have reached the peak, since we must maintain a plateau, and since the time to start down from the peak is so uncertain, the manpower job ahead is far more difficult than it has been. It is harder to maintain total and individual performance at a peak than it is to reach that peak. That is a simple psychological truth known to army officials, football coaches, sales managers, and production superintendents. It needs no elaboration.

It is obvious, therefore, that the problem ahead is psychological rather than statistical. This is one time in our war production period when national figures have relatively little significance. While there may be no decrease in total war production there will be decreases in certain communities. The same goes for increases. While there will be no over-all or wholesale unemployment in the country beyond what now exists, there will be communities in which there will be unemployment and in some cases extensive unemployment.

Some tight labor market areas will become tighter. Others will become surplus areas. Some surplus areas will become tight labor market areas. This will require close and careful attention and as much forward planning as the circumstances of war permit.

In view of this condition the manpower program must be extremely

flexible. This can be attained only through administration and programming in local areas. It can be done only through highly decentralized delegation of authority.

In some communities manpower controls and regulations will have to be extended. In others, they will have to be relaxed. This must be done through close cooperation of the local representatives of management and labor and agriculture with the Government agencies held responsible.

There must be far greater emphasis upon utilization and training programs and activities. While we were attaining our peak, the major emphasis was upon recruitment and placement. While that will continue as a major activity, utilization and training efforts must be stepped up so that they are at least on a par with the attention we have given to recruiting.

Utilization and training have been gaining in impetus. There has been increasing talk about them and attention given to them during the last seven or eight months. This effort cannot be slackened for one moment. The fact of the matter is our efforts in this direction must be doubled. We must get greater productiveness out of the people on the job. Turnover and absenteeism must be further reduced. We can no longer compromise with or sidestep this responsibility.

The statistics as to future needs have made allowances for increased efficiency. The "know-how" of the job can-

not help but increase. As each month is added to our experience in the various fields of war production we know more about the production. Supervision becomes more experienced and employee productiveness increases.

During the last half of 1943, the manpower program in this country took on a very definite pattern. It has been a most effective pattern and gives us a workable sequence of actions to take in meeting any manpower situations. They are outlined here briefly.

1. The facts as to manpower needs and available supply must be determined as accurately as is humanly possible. The War Manpower Commission must make these determinations in close cooperation with management and labor of any given area.

The end result of the measures taken toward this end is expressed in the form of area classifications. There are four such classifications. Group I areas are those in which there is not sufficient manpower supply to meet the demand. Group II areas are those in which the demand is expected to exceed the supply within six months. In Group III are found those areas in which the supply is expected to be adequate to meet the demand for at least six months or more. Group IV includes those areas of labor surplus with no anticipation of a shortage. These classifications represent the conditions as they exist in relation to manpower supply and demand.

(Continued on page 24)

CUSHING PHOTOGRAPH



How does the Federal Revenue Act of 1943 affect the large corporation? The smaller corporation? Mr. Lasser outlines the mechanics of distortion of the taxing processes in favor of smaller corporations. The disadvantages which this measure imposes on large corporations and the advantages which it offers to smaller concerns are discussed from all angles.

WHEN the Federal Revenue Act of 1943 finally became law, it contained measures designed as real relief for small business. It packed a dreadful wallop for big business.

The active mechanics of distortion of the taxing processes in favor of the small corporation comprised at least three major steps. They were, briefly:

1. An increase in exemption from the excess profits tax from \$5,000 to \$10,000.

2. Extension of the right to dissolve corporations during 1944 without incurring current penalties for capital gains tax. Thus small business is given the opportunity to get the advantages of the lower taxes sometimes available to partners or proprietors.

3. The elimination of renegotiation unless Government contracts exceed a half million dollars in any one year.

It is interesting to note the effective rate now established on smaller and larger corporations. Assume that a small company had \$10,000 of earnings in the pre-war period and a larger organization a million. Then taxes are now:

If the Per Cent of Increase in Earnings Over Base Period Is:	Then the Effective Rate of Federal Income and Excess Profits Taxes Is On:	
	Small Company	Large Company
50%	23%	60%
100%	41%	69%
150%	52%	74%
200%	59%	77%
300%	69%	80%

The change in the exemption from the excess profits tax is a major aid. The funds thus released, when added to the 1936-1939 earnings or the invested capital base, will completely relieve many small units from the profits

tax. That still leaves them with the 40 per cent normal tax and with other burdens within our system.

The classical advantages of limited liability, perpetual life, and transferability of ownership of a corporation have been outweighed by the precipitous rising corporate tax rates of the last few years. Economic and legal disadvantages of a partnership correspondingly have diminished in the wake of the increased rates on the corporate entity. For the smaller corporation, therefore, the comparatively lighter individual taxes have reversed the trend in the form of business endeavor in the direction of partnerships.

Unfortunately we have always had serious problems which make such transitions vulnerable to taxation. In instances of appreciated value of corporate assets resulting from extended periods of ownership, former tax laws levied a serious charge in the form of

a capital gains tax upon the transition from corporation to partnership.

Most small business has looked longingly at the partnership form as a sounder means of building reserves for post-war difficulties. But dissolution has always been thwarted by rules that required taxation of the increase in value of property owned by the business. Thus, a corporation possessing assets which had increased in value over the years would generally subject its stockholders to the capital gains tax of a minimum of 25 per cent upon the transfer to a successor partnership. This "dissolution" tax blocked painless conversion.

Economically the business continued in an identical manner. It was cogently argued that the capital gains provision never envisaged a tax upon an exchange between the same individuals identically related actually though not legally. If Smith started



FITZGERALD PHOTOGRAPH

How the New FEDERAL REVENUE ACT Affects Business Policy

J. K. LASSER, C.P.A.

EFFECTIVE TAX RATES

When the Excess Profits Income (in excess of exemptions and credits) is the Following Percentage of the Normal Tax Income	Then the Effective Tax Rates Are: ¹			
	1943		1944	
	Gross at 90% Rate	Net After Post-War Credit	Gross at 95% Rate	Net After Post-War Credit
0	40.0%	40.0%	40.0%	40.0%
10	45.0	44.1	45.5	44.6
20	50.0	48.2	51.0	49.1
30	55.0	52.3	56.5	53.7
40	60.0	56.4	62.0	58.2
50	65.0	60.5	67.5	62.8
60	70.0	64.6	73.0	67.3
70	75.0	68.7	78.5	71.9
80	80.0	72.8	80.0	72.8
100	80.0	72.0	80.0	72.0

¹ These rates apply to companies with incomes over \$50,000.

his corporation in 1920 and built a substantial goodwill value in twenty odd years of personal effort, the dissolution required a capital gains tax on the accumulated value of his perspiration and customer recognition. That might be severe. For example, goodwill alone might be valued at three to ten times on an average of the earnings of the last four or five years. Obviously, Smith could only long for the change. In addition, he might roundly cuss the strategy of his lawyers who advised the corporate form, when competitor Jones' counsel had permitted him to operate as a partnership. Jones, conceivably, would have a lot more left out of current profits than Smith.

Just as important as tax considerations has been the pile-up of paper work on the small corporation—much of it avoided by the partnership form. The former, placed in the class of the major industrial, has been confounded and handicapped under a dozen directives aimed specifically at corporations: for example, the need to gird for the complexities of corporate income and excess profits taxation; the filing of capital stock and declared value excess profits returns; the worrying about personal holding company punitive taxation; the study of the horrible effects of taxation on accumulated earnings; paying social security taxes on stockholders' compensation. Jones has avoided all these completely under the partnership form.

Here now, is the Congressional olive branch to small business. Upon the option of the individual stockholders (corporate stockholders are discrimin-

ated against) a corporation may be liquidated at a minimum of immediate tax to the individual shareholders.

To effect relief you must dissolve during any one month in 1944. If you do dissolve, then you need pay no tax on the appreciation in value of corporate assets. Your total tax is one based upon the accumulated earnings of the corporation which have not been distributed. If Smith's investment in 1920 of \$50 is now worth \$100,000 he may forget the increase in value when he dissolves. If he had earnings of \$500 in excess of dividend distributions to himself in that period, his only cost of dissolution is a tax on the \$500 as a dividend.

Of course, the relief is circumscribed by technical provisions; these require literal adherence. A diligent study must be made of the law. Even with a case that appears well qualified the

dissolution, when the process is completed, may produce exactly the opposite of the desired result. Generally, only corporations having appreciated assets and low accumulated earnings and profits may advantageously employ the relief.

Our excess profits tax system calls for a refund of 10 per cent of tax paid. One of the real deterrents to the change from corporate to partnership form has been the threat that the successor business could not collect the refund.

That has, in a large measure, now been relieved. The new law permits a transfer of the profits tax refund to a successor of the corporation. Despite the present lack of regulations, there can be little doubt that partnership succeeding a corporation, identical except for form, would be a recognizable transferee for this purpose. The proceeds of the refund-bonds on redemption are probably not to be considered income to the successor. They might be income in other cases.

Debt Retirement Credit

Under our excess profits tax law, we may use currently all or part of the post-war credit (10 per cent of the excess profits tax) if there has been a retirement of debt. It used to be a cumbersome process, often denied to small businesses. By force of its fiscal or business position such a concern was often compelled to indulge in seasonal borrowings and thus lost its credit. As an example, assume with me that a small corporation, on September 1, 1942, had an indebtedness of \$300,000. On October 15, 1942, it retired \$150,000 but thereafter increased its borrowings so that on December 31, 1942, it was obligated for \$250,000. The debt retirement credit, limited by the 10 per cent

ST. PATRICK'S CATHEDRAL, NEW YORK CITY—THORNTON PHOTOGRAPH



of its excess profits tax, would be 40 per cent of \$50,000.

Assume further that at the end of 1943 the indebtedness was reduced to \$100,000. Our corporation would then be limited in its debt retirement credit for 1943 to 40 per cent of \$50,000, this being the difference between the outstanding indebtedness on October 15, 1942, and that at the end of 1943. But our corporation had paid off \$150,000 during 1943 and ought to have gotten full credit for it. The technical wording of the laws stood in the way.

Remedial action is granted in the new law. Mid-year reductions are now to be disregarded. Hence the corporation in the above example could calculate its debt retirement for 1943 on the basis of \$150,000, the difference between its indebtedness at the end of 1942 and at the end of 1943.

This amendment is retroactive to all years beginning after September 1, 1942, but to be entitled to take this changed credit for prior years, it is necessary to act before May 25, 1944.

Exempt from Renegotiation

Practically all small corporations having war contracts are now removed from the operation of renegotiation. Heretofore, all contractors or subcontractors with contracts in excess of \$100,000 were subject to it.

This relief is applicable to all years ending after June 30, 1943, irrespective of whether the contract or subcontract was made prior to the effective date of this law.

The drastic change in taxation upon "big business" was accomplished in the increase of excess profits rates to 95 per cent, in reduction of the excess profits credit of the companies relying upon their invested capital, and in a series of new rules that may markedly cut the hopes on the part of large concerns of

building credits by acquiring other companies.

Of the two bases for calculating normal profits (not subject to excess profits taxes) in a current year, the average of the pre-war years' earnings method is the one more commonly used by the smaller corporation. The method of excess profits computation by the average earnings method was not changed in the new law. The larger organization, in a great many cases, computes its profits tax on a percentage of the amount of capital contributed or paid in the business, and borrowings; this is called "the invested capital method."

The invested capital method excludes a percentage of the invested capital from the operation of the excess profits tax. Giving effect to the new law, the following is the transformation of this fixed rate during the short history of our excess profits taxes since 1940. It illustrates the gradual reduction of the exemption to larger corporations.

If Invested Capital Is:	Then Percentage Allowed Is:				
	1940	1941	1942	1943	1944
First 5 million	8	8	8	8	8
Next 5 million	8	7	7	7	6
Next 100 million	8	7	6	6	5
Over 200 million	8	7	5	5	5

Despite the change to a 95 per cent excess profits tax rate, the Congress still limits all taxes (normal, surtax, and excess profits taxes) to an 80 per cent maximum rate. In addition, we have continued the 10 per cent post-war credit. The result is a strange combination of *net* taxes payable. See table on page 13.

This table assumes a computation of the net income after the allowable credits and the \$10,000 exemption. If you are interested in the net effect of the changes and know your credits and exemption, the following formulas will quickly give you the new gross taxes and the new effective rates in your own case.

FORMULAS FOR TOTAL TAXES¹

When A = Taxable Income
B = Base Period Income (Average)
C = Invested Capital

	Income Credit	Invested Capital Credit
Gross95A-.5225B-\$5,500	.95A-.044C-\$5,500
After post-war refund885A-.43225B-\$4,550	.855A-.0364C-\$4,550

FORMULAS FOR EFFECTIVE TAX RATE

When D = Return on Base Period Income
E = Return on Invested Capital

	.5225	5,500	.044	5,500
Gross	D	A	E	A
After post-war refund885	4,550	.0364	4,550
	D	A	E	A

¹ Assuming 40 per cent normal and surtax, and invested capital up to \$5,000,000.

While all companies are now subject to the 95 per cent tax rate, no change has been made in the credit of those which use the average earnings method. Thereby the larger units which were fortunate enough to have had large incomes during the 1936-1939 era are treated with strange favoritism.

The argument advanced for the discriminatory change is that the corporation using the invested capital method can plow back its earnings—thus increasing its invested capital credit. Congress was not diverted from that premise despite witnesses who urged that:

1. The remedy did not fit the evil—if accumulations were to be attacked, the obvious would be to cut the allowance for increase in not distributed earnings.

2. The law requires distributions of earnings or else there is a severe penalty in the notorious Section 102.

3. The drop in rate permitted hits without discrimination both at companies that have made distributions and at those which have not done so.

4. Average earnings companies can readily use the relief sections of the law, particularly Section 722, which gives them even a greater reconstructed base, but that is not so true of the invested capital companies.

Notwithstanding all this, Congress persisted in favoring the companies not using the invested capital. The burden of tax falls heaviest on the depressed industries of the late thirties (for example, steel and the railroads). The result is a limitation of a possible 5 per cent return on their invested capital. In the others, the possible return on capital is not limited. They still are
(Continued on page 34)

HILLSIDE FARM, VERMONT—MAC GRAMLICH PHOTOGRAPH



THE TREND OF BUSINESS

SUMMARY: Heavy consumer buying of Easter and luxury merchandise lifted retail sales volume to a new peak. Industrial production still continues at a high level, while employment is steadily declining. Wholesale commodity prices are advancing gradually after remaining steady for about a year.

CONTINUING changes in the needs of war program coupled with adjustments in design and shifts in equipment requirements have brought about cancellation of many war contracts. A few have been especially affected. Nevertheless, the expansion of manufacturing activity has offset cut-backs and cancellations; the cumulative total of war supply contracts increased from \$153,099,225,000 on January 31 to \$156,523,168,000 at the end of February. By September 30, 1943, some 9,500 contracts for \$6,500,000,000 of war work had been terminated; by the end of the year, the dollar volume of the terminated contracts had nearly doubled, to reach \$12,000,000,000. Currently cancellations average about \$1,500,000 monthly, reports the War Production Board.

The seasonally-adjusted industrial production index in the first quarter of this year continued on a high plateau in the lower 240's (1935-1939=100; Federal Reserve Board). Total production in March was about 3 per cent above last year, more than double

the 1940 level, and 60 per cent above March 1941.

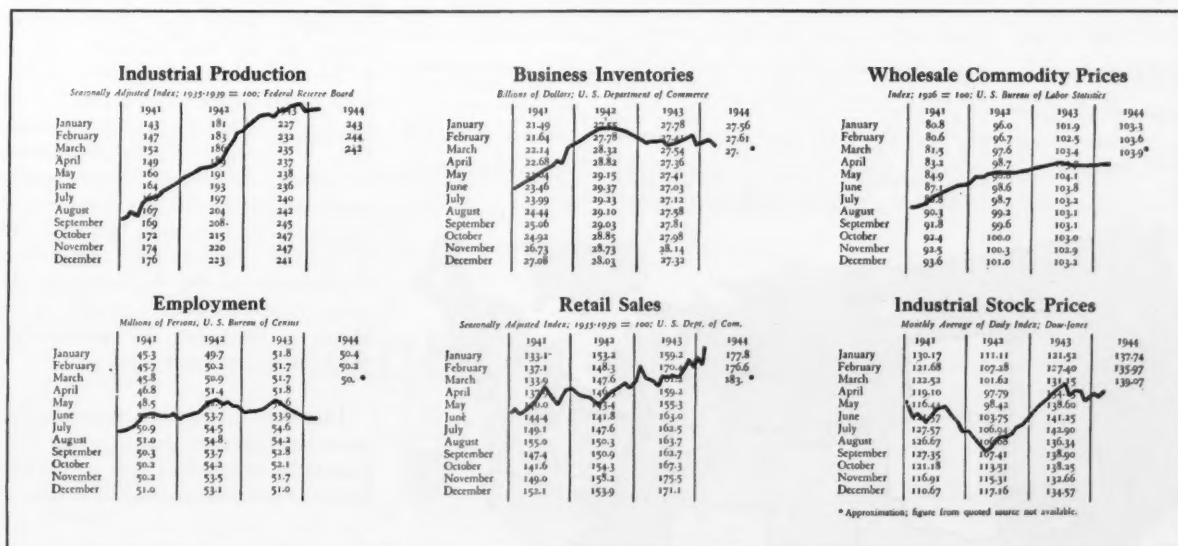
Despite the fact that steel buying has tapered off largely as a result of inability of mills to make definite promises of delivery within the next several months, Government agencies continue to place heavy orders for steel to be delivered under directives to insure promptness. Some manufacturers report that bookings in the first quarter of this year were up about 30 per cent over the comparable period last year. Steel ingot production in March reached 7,804,705 tons, only 15,000 tons below the high of October 1943, in spite of labor bottlenecks and repairing of equipment. The high tonnage was 9 per cent above February and 2 per cent over the similar 1943 period. Steel tonnage output for the first three months of 1944 was 22,588,388, the highest of any quarter and 3 per cent above last year.

Shortages of lumber and paper have resulted in increased output of metal for containers for shipping and packaging purposes. Military demands for

lumber are rising with about 50 per cent of all lumber going for war needs. The tight supply of containers has hampered shipments in the drug, toilet goods, paint, glass, and hosiery industries. Although deliveries of some military supplies have increased some 40 to 60 per cent over a year ago, shipments of seasonal lines to civilians are lagging.

The high production of aircraft, landing barges, and other military needs offsets any reduction in other industrial fields. Aircraft output in March attained a new monthly high of 9,100 planes, 4 per cent above February. Ships delivered in March totalled 152, above February's 134 and 56 below the December record. During the first three months of the year 410 vessels, aggregating 4,115,951 deadweight tons, were delivered.

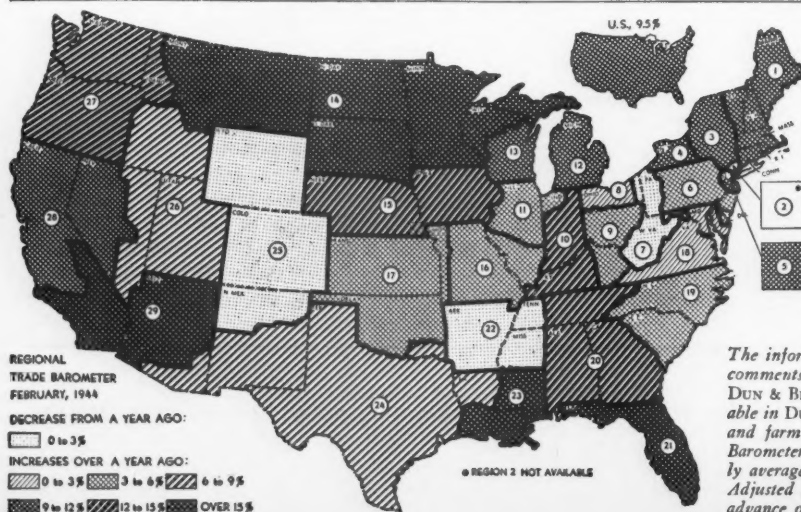
Inventories—The value of business inventories, including manufacturers, wholesalers, and retailers, increased by about \$50,000,000 during February, reaching a total of \$27,606,000,000 at



REGIONAL TRADE REPORTS

Barometers under supervision of Dr. L. D. H. Weld

Feb. 1944	Change from Jan. '44	Change from Feb. '43	HIGHLIGHTS OF TRADE ACTIVITY
	%	%	
UNITED STATES			Barometer increased only fractionally over the January level; the yearly gain narrowed. Three regions dropped below 1943.
161.3	+ 0.1	+ 9.5	
1. NEW ENGLAND			Barometer yearly gain above average for first time in ten months. Output of boot and shoe factories and cotton mills below 1943.
135.0	+ 6.8	+ 11.4	
2. NEW YORK CITY			Manufacturing employment at all time high—about 6% over 1943. Employment steady, payrolls up slightly in retail and wholesale fields with seasonal rise in apparel industry. Hotel sales 17% above 1943.
Index is not available.			
3. ALBANY, UTICA, SYRACUSE			Annual barometer gain greater than country's for first time in over a year. Payroll decreases in Utica and Albany-Schenectady-Troy area. Milk production in area slightly below last year.
150.5	+ 0.8	+ 10.9	
4. BUFFALO, ROCHESTER			Buffalo and Rochester employment even with 1943. Elmira marked increase. Labor shortage continues in Buffalo area. Monthly and yearly barometer comparisons below average.
143.9	- 1.0	+ 9.3	
5. NORTHERN NEW JERSEY			Monthly and yearly barometer increases exceed average for first time in over a year. Prices received by farmers about 17% above 1943. Employment well over 1943 in Paterson, even in Newark and Jersey City.
134.0	+ 6.3	+ 11.8	
6. PHILADELPHIA			Payrolls in district 11% over 1943. Employment gains over 1943 leveling off. New war plant in Wilmington maintains high payrolls.
130.5	- 2.8	+ 5.3	
7. PITTSBURGH			Industrial construction activity heavy in Huntington. West Virginia coal output 11% over 1943, lumber output up 27%.
131.4	- 11.3	- 1.8	
8. CLEVELAND			Industrial employment off in month; about 3% over 1943 in Cleveland, even in Akron, off 3% in Canton. Acute labor shortage in Lima.
170.5	- 0.6	+ 0.2	
9. CINCINNATI COLUMBUS			Barometer steady in month, below average year-to-year gain. Employment about 6% over 1943 in Columbus, 2% in Cincinnati, Dayton steady. Crop prospects good as moisture adequate.
181.1	+ 0.2	+ 5.6	
10. INDIANAPOLIS, LOUISVILLE			Livestock receipts extremely high compared with 1943. Kentucky burley tobacco selling moderately better than 1943. Indianapolis industrial employment about 16% over 1943, Louisville 6%, Fort Wayne even.
201.0	- 0.9	+ 13.0	
11. CHICAGO			Chicago acute labor shortage area. Employment in Chicago and Peoria about 9% over 1943, South Bend 8%. Barometer comparisons poor.
144.2	- 0.9	+ 4.0	
12. DETROIT			Flint industrial employment about 12% over 1943, Grand Rapids 10%, Detroit 8%. Payrolls average 12% higher than in 1943.
195.1	+ 2.6	+ 9.1	
13. MILWAUKEE			Milwaukee industrial employment about 2% over 1943, declines in Fond du Lac, Madison, Sheboygan, Oshkosh. Butter production off with milk diverted to fluid market channels; farmers' returns higher.
186.8	- 9.6	+ 11.5	
14. MINNEAPOLIS, ST. PAUL			Minnesota employment 6% over 1943; payrolls 19%. Hog marketing in South St. Paul 40% over 1943. Crop conditions less favorable than in 1943, farm prices up slightly. Coal shipments below last year.
182.6	+ 2.9	+ 20.8	
15. IOWA, NEBRASKA			Monthly barometer gain largest recorded. Iowa employment about 7% over 1943, payrolls up 22%. Des Moines employment about 9% below 1943. Grain and livestock shipments below last year.
181.8	+ 20.2	+ 13.3	
16. ST. LOUIS			Agricultural employment, seasonally low, somewhat higher than 1943. Payrolls and employment in St. Louis and Quincy moderately above 1943.
139.7	- 5.5	+ 4.9	
17. KANSAS CITY			Kansas employment about 6% over 1943, payrolls 34%. Winter wheat benefited by rains; yield estimated over 1943, about double in Oklahoma.
179.4	- 6.5	+ 5.3	
18. MARYLAND, VIRGINIA			Contraseasonal monthly drop in Maryland employment and payrolls; employment 6% below 1943, payrolls 5% above. Work week shortened from seven to six days in some quarters.
197.9	+ 4.7	+ 1.1	
19. NORTH SOUTH CAROLINA			Yearly barometer gain below average for past year. Additional plant expansion in High Point increases employment. North Carolina employment and payrolls off moderately in the month.
208.5	- 4.9	+ 3.5	
20. ATLANTA, BIRMINGHAM			Yield of Georgia truck gardening good, frost reduced Alabama's yield. Employment has fallen below 1943 in some major cities, increases still recorded in Atlanta, Knoxville, Nashville.
248.0	+ 4.0	+ 12.0	
21. FLORIDA			Weather excellent for citrus fruit crops; employment gains over last year still large; Jacksonville 25%, Tampa and Miami 27%.
262.5	+ 5.3	+ 27.6	
22. MEMPHIS			Acute labor need reported in Pine Bluff. Lumber output off about 24% from 1943. Farm prices even with last year.
191.3	+ 1.6	- 1.4	
23. NEW ORLEANS			Alabama Spring farm work well started, delayed in Mississippi due to unfavorable weather. Crude oil output about 15% below 1943. Largest year-to-year barometer gain recorded.
186.4	+ 7.6	+ 20.2	
24. TEXAS			General crop outlook good; wheat prospects improved, grapefruit yield about same as 1943. Industrial employment about 12% over 1943, payrolls 19%, decreases noted in Amarillo and Houston.
229.8	+ 2.2	+ 7.5	
25. DENVER			Barometer monthly and yearly comparisons poor. Agricultural outlook good with recent moisture. Denver employment remained below 1943.
181.1	- 0.4	- 0.1	
26. SALT LAKE CITY			Large steel plant swinging into production with resulting rise in payrolls. Farm income and acreage up over 1943.
199.5	+ 8.2	+ 8.3	
27. PORTLAND, SEATTLE			Employment continues well above 1943 in area. Lumber output up about 22% in Puget Sound district. High returns from wheat, feed crops, and potatoes swell farm income.
226.6	+ 7.3	+ 12.6	
28. SAN FRANCISCO			Crop outlook has improved with better weather; prices on all farm produce high. Employment and payrolls off in month, now about 9 and 14% respectively over 1943.
177.4	+ 6.9	+ 10.5	
29. LOS ANGELES			Barometer monthly and yearly increase among best recorded. Heavy plant expansion in Phoenix boosts employment over 1943. California employment and payroll gains over 1943 narrowing.
173.9	+ 4.5	+ 20.5	



the end of the month. The estimated value of manufacturers' stocks at the end of February was \$17,642,000,000, \$200,000,000 below the November 1943 peak, fractionally less than in January, but 1 per cent above the comparable period last year. The largest decline was in the durable goods industries. Manufacturers' inventories constituted 64 per cent of total business stocks at the end of February.

Retail and wholesale inventories increased for the second month of the year with an estimated value for February of \$5,876,000,000 and \$4,089,000,000 respectively. This compared with \$5,699,000,000 and \$4,052,000,000 for January and \$5,892,000,000 and \$4,026,000,000 for February of last year. Department stores accounted for about half of the month's increase in retail inventories. Wholesalers' stocks continue close to the war-time minimum.

Employment—Although less manpower is required to produce war equipment because of the substantial increase in per capita output, sharp decreases in the labor force have hindered production of civilian goods lines in fields where Government requirements have eased. While raw materials are no longer a major problem, labor shortages have been influential in hindering output in some industrial lines.

Manufacturing employment dropped off again in March, the fourth decline since the November peak when 14,000,000 people were employed. Factory employment in March was 1 per cent below February of this year and 2 per cent below March 1943. Employment during the last four months is about at the same level or slightly higher than it was in the comparable period of last year. The largest monthly drops were in the transportation equipment and automobile groups. In non-durable goods industries the chemicals and allied products division declined the most. On a year-to-year comparison employment in the durable goods group remains fractionally above March of last year; the non-durable goods group declined 6 per cent.

Income—Individual income payments in February amounted to \$12,344,000,000 or less than 1 per cent below January—a less-than-seasonal decline—

The information on regional trade activity is based upon comments of business men, gathered and weighed by local DUN & BRADSTREET offices. More detailed data are available in DUN'S STATISTICAL REVIEW. Payroll, employment, and farm income figures are from Government sources. Barometers used are adjusted for seasonal variation; monthly average for the years 1928-1932 inclusive equals 100. Adjusted and unadjusted barometers may be obtained in advance of publication by arrangements with the editors.

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but 16 per cent above February 1943. The seasonally-adjusted index (1935-1939=100) of income payments increased from 226.1 in January to 230.4 in February, a record high (U. S. Department of Commerce). Most of the month-to-month increase resulted from the 5 per cent monthly gain in the index (seasonally adjusted) of income from farm marketings, as well as from the retroactive payments to railroad employees.

Spendable income of factory workers has improved considerably during the war, according to the recent figures of the United States Bureau of Labor Statistics. Average weekly earnings, after deductions for bond purchases, income taxes, and social security taxes, of an average factory worker with a wife and two children rose about 44.8 per cent from January 1941 to October 1943. The Bureau's cost of living index during the same period increased 23.4 per cent. Workers in almost all fields of industry benefited by the expansion of income.

Trade—The usual high rate of retail activity in the final week before Easter was somewhat tempered by inclement weather and by the tremendous buying of luxury items at the end of March. Spot reports from selected cities indicated that the volume of "beat-the-tax" merchandise moved off the shelves was at least 80 per cent higher in the last half of March than in the last half of February; individual

WHOLESALE FOOD PRICE INDEX

The index is the sum of the wholesale price per pound of 31 commodities in general use:

1944	1943	1944
Apr. 18.. \$4.03	Apr. 20.. \$4.09	High \$4.04 Mar. 21
Apr. 11.. 4.04	Apr. 13.. 4.10	Low 3.99 Jan. 4
Apr. 4.. 4.03	Apr. 6.. 4.10	1943
Mar. 28.. 4.03	Mar. 30.. 4.10	High \$4.12 May 18
Mar. 21.. 4.04	Mar. 23.. 4.11	Low 4.00 Dec. 21

DAILY WHOLESALE PRICE INDEX

The index is prepared from spot closing prices of 30 basic commodities. (1930-1932 = 100).

Week Ending:	Mon.	Tues.	Wed.	Thurs.	Fri.*	Sat.
Apr. 22..	173.54	173.41	172.50	172.49	172.35	172.22
Apr. 15..	173.10	173.06	173.06	173.93	172.79	172.76
Apr. 8..	172.74	172.88	172.99	173.01	Holiday	173.01
Apr. 1..	173.17	173.06	173.03	173.11	172.90	172.86
Mar. 25..	173.12	173.05	172.96	173.07	173.11	173.08

1944	1943	1942
High 173.17 Mar. 27	173.30 Oct. 15	166.02 Dec. 30
Low 170.77 Jan. 4	166.61 Jan. 2	151.54 Jan. 2

BUILDING PERMIT VALUES—215 CITIES

Geographical Divisions:	1944	1943	% Change
New England.....	\$1,602,271	\$1,999,765	- 19.9
Middle Atlantic.....	10,239,917	6,626,383	+ 54.5
South Atlantic.....	4,848,684	3,889,784	+ 24.6
East Central.....	12,086,476	6,850,409	+ 76.3
South Central.....	29,771,390	5,576,590	+433.9
West Central.....	2,046,213	1,735,881	+ 17.9
Mountain.....	1,211,831	751,945	+ 61.2
Pacific.....	14,026,479	7,354,243	+ 90.7
Total U. S.....	\$75,826,652	\$34,785,009	+118.0
New York City.....	\$7,868,953	\$1,645,510	+378.2
Outside N. Y. C.....	\$67,957,699	\$33,139,499	+105.1



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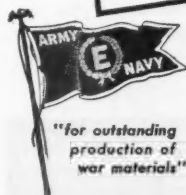
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cities reported gains of from 8 to 154 per cent. The heavy buying in March lifted retail volume for the first three months of 1944 well above the peak level of a year earlier. March sales volume advanced some 15 to 20 per cent over the same 1943 month.

Chain and mail order houses experienced large gains in March and early April. Sales volume of chain grocery stores rose sharply during the first quarter of this year, while independent grocery stores witnessed a substantial drop in volume.

Prices—Wholesale commodity prices are continuing their gradual advance, attaining the highest level since May 1943. The USBLS index for March, which was estimated at 103.9 per cent of the 1926 average, was about 0.5 per cent above March 1943. Higher prices for grains, cotton, hogs, and certain fruits and vegetables accounted for the gain. Further increases in the cost of grains, eggs, and apples raised the composite index fractionally in mid-April. Prices of non-agricultural products have remained fairly steady during the past two years; in March they were about 2 per cent above the level in the same month last year.

Living costs were unchanged in March at 123.8, as compared by the USBLS index (1935-1939=100). The March index was 23 per cent above what it was in January 1941, and was 1 per cent above the March 1943 index which stood at 122.8.

Finance—Termination "VT" loans amounted to \$2,001,000,000 at the end of February. Almost one-third of the Federal Reserve Board's \$7,484,000,000 "V" loan authorizations involve cancelled war contracts. Some \$2,000,-

BANK CLEARINGS—INDIVIDUAL CITIES (Thousands of dollars)

	March		% Change
	1944	1943	
Boston	1,539,202	1,617,889	- 4.9
Philadelphia	2,939,000	2,843,000	+ 3.4
Buffalo	303,439	264,397	+14.8
Pittsburgh	1,168,093	1,090,417	+ 7.1
Cleveland	943,400	910,798	+ 3.6
Cincinnati	511,635	490,217	+ 4.4
Baltimore	684,872	658,288	+ 4.0
Richmond	339,595	307,186	+10.6
Atlanta	648,000	541,800	+19.8
New Orleans	390,455	374,777	+ 4.2
Chicago	2,198,580	2,011,290	+ 9.3
Detroit	1,724,983	1,578,259	+ 9.3
St. Louis	812,326	735,385	+10.5
Louisville	319,024	300,026	+ 6.0
Minneapolis	638,272	580,187	+10.0
Kansas City	877,797	862,612	+ 1.8
Omaha	362,553	335,814	+ 8.0
Denver	263,356	230,550	+14.2
Dallas	507,456	458,546	+10.7
Houston	439,106	397,794	+10.4
San Francisco	1,230,747	1,117,490	+10.1
Portland, Ore.	317,481	346,532	- 8.4
Seattle	379,102	427,993	-11.4
Total 23 Cities	19,548,376	18,481,847	+ 5.8
New York	25,115,886	20,862,898	+20.4
Total 24 Cities	44,664,262	39,344,745	+13.5
Daily Average	1,654,232	1,457,213	+13.5



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000,000 of the authorizations actually has been borrowed. War expenditures during March advanced to a new high of \$7,725,668,536, 2.8 per cent above the February figure of \$7,518,127,130.

Stock trading in March, after hitting new highs early in the month, declined toward the end of March, breaking mid-March lows. Trading was generally dull throughout the first half of April; volume dropped to the lowest level since October 1943.

Failures—In March 1944, for the first time on record, monthly failures dipped below one hundred. They were less than one-fourth of those in the same month of 1943. Continuing the country-wide trend, more than half the States and half the 25 largest cities reported no failures. Small concerns with liabilities under \$5,000, normally characterized by high mortality, underwent the most drastic reduction in failures, probably the effect of the two-year decline in the business birth rate.

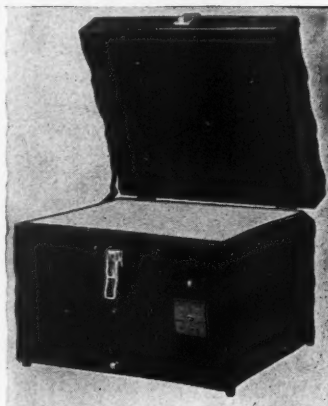
THE FAILURE RECORD

	Mar. 1944	Feb. 1944	Mar. 1943	Per Cent 1943 Change
NUMBER OF FAILURES....	96	132	410	-77
NUMBER BY SIZE OF DEBT				
Under \$5,000.....	33	45	223	-85
\$5,000-\$25,000.....	47	66	149	-68
\$25,000-\$100,000.....	13	15	27	-52
\$100,000 and over.....	3	6	11	-73
NUMBER BY INDUSTRY GROUPS				
Manufacturing.....	28	32	79	-65
Wholesale Trade.....	5	10	35	-86
Retail Trade.....	43	49	232	-81
Construction.....	11	19	41	-73
Commercial Service.....	9	22	23	-61
(Liabilities in thousands)				
CURRENT LIABILITIES.....	\$1,460	\$3,108	\$7,282	-80
TOTAL LIABILITIES.....	\$1,460	\$6,132	\$7,858	-81

FAILURES BY DIVISIONS OF INDUSTRY

	Number (Current liabilities in thousands of dollars)		Liabilities (Jan.-Mar.)	
	1944	1943	1944	1943
MINING, MANUFACTURING...	91	225	3,726	7,735
Mining—Coal, Oil, Misc....	2	7	1,010	375
Food and Kindred Products	6	31	71	833
Textile Products, Apparel...	9	41	293	493
Lumber, Lumber Products...	14	32	587	635
Paper, Printing, Publishing...	8	33	109	770
Chemicals, Allied Products...	5	10	231	130
Leather, Leather Products...	1	5	10	169
Stone, Clay, Glass Products...	3	9	115	125
Iron, Steel, and Products...	4	8	97	334
Machinery.....	25	17	853	3,043
Transportation Equipment...	2	5	200	349
Miscellaneous.....	12	27	180	488
WHOLESALE TRADE.....	28	100	308	1,091
Food and Farm Products...	15	37	172	384
Apparel.....	1	9	5	60
Lumber, Bldg. Mats., Hdw....	4	12	154	195
Miscellaneous.....	8	42	67	452
RETAIL TRADE.....	142	754	998	5,122
Food and Liquor.....	36	209	328	975
General Merchandise.....	4	28	13	161
Apparel and Accessories....	16	76	70	545
Furniture, Furnishings.....	3	16	31	340
Lumber, Bldg. Mats., Hdw....	6	36	42	277
Automotive Group.....	7	55	55	321
Eating, Drinking Places.....	47	197	336	1,722
Drug Stores.....	6	59	38	397
Miscellaneous.....	16	58	85	384
CONSTRUCTION.....	43	132	507	1,980
COMMERCIAL SERVICE.....	44	79	647	1,032
Highway Transportation....	13	16	304	318
Misc. Public Services.....	4	4	19	96
Cleaning, Dyeing, Repairs...	3	13	19	101
Laundries.....	3	18	76	375
Undertakers.....	3	5	17	49
Other Personal Services....	12	9	68	30
Business, Repair Service....	10	14	73	63

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HONESTY ENGINEERING
—a new idea in
Personnel Relations



**“and it’s a big help in cutting down
employee turnover”**

STATEMENTS like that are typical of what personnel managers say about Honesty Engineering. Because by helping employees resist the temptation to turn dishonest, it prevents loss of hard-to-replace employees. One food processing concern, for example, found that this new Personnel-Protection Plan cut manpower losses due to dishonesty by more than 75%.

Based on experience, the U. S. F. & G. Personnel-Protection Plan not only insures you against financial loss through employee dishonesty but:

(1) discloses undesirable personnel and prevents waste in training; (2) applies tested methods that keep good employees from going wrong; (3) helps employers eliminate leaks, pitfalls and careless acts that may lead to employee dishonesty.

Whether you employ 10 people or 10,000, your U. S. F. & G. agent will be glad to show you how the Personnel-Protection Plan helps you keep your employees by keeping them honest. Consult him today.

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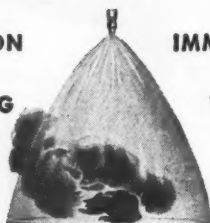
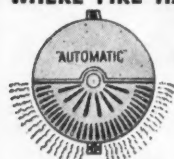
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WAR MANPOWER

(Continued from page 11)

Because of the vital uses of these classifications it is imperative that demand and supply figures be as accurate as possible. Up to the present time we have been basing demand upon figures given to us by employers which in turn are adjusted for anticipated increase in efficiency, for Selective Service withdrawals, for known inaccuracies in estimates, and then checked with the estimates of the Bureau of Labor Statistics.

There are further steps to insure the accuracy of these demand figures. Our utilization personnel, who know considerable about manpower needs in relation to production, check these figures. In addition to that, procurement agencies certify their accuracy from the knowledge they have of the plants from which the figures come. It is sometimes necessary to conduct utilization surveys in cooperation with the management of these plants in cases of doubt as to actual need.

This triple check on the demand estimates per plant results in the establishment of ceilings on manpower requirements. Those ceilings represent the very best estimate that can be secured as to the total manpower required to meet the known production schedules. These ceilings, of course, are adjusted to changing schedules, but they represent a more realistic demand figure than we have received in many instances on the monthly and bi-monthly reports submitted by employers to the United States Employment Service.

2. The relative urgency for products and services must be determined in each local area by the agencies of Government responsible for procurement and production. Such determinations must be made as close to the source as possible by local representatives of those agencies acting together in close cooperation with the local representative of the War Manpower Commission within the framework of national policy.

The machinery for bringing this about is now known as the Area Production Urgency Committee. That committee is made up of the representatives of the procurement agencies, of the War Manpower Commission, and a chairman from the War Production Board. These committees are being granted local authority such as has not existed at the local level before. They have been given the authority to review contracts and facilities and to take



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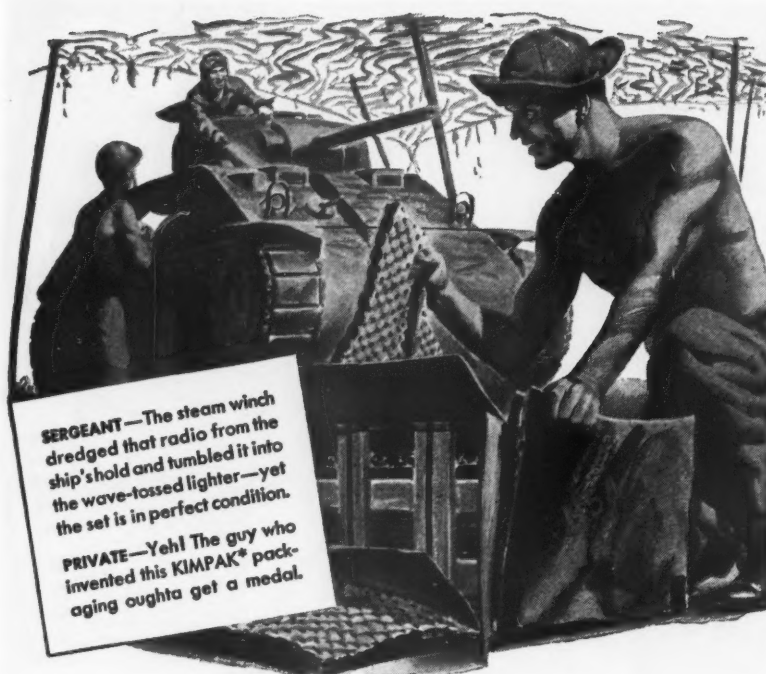
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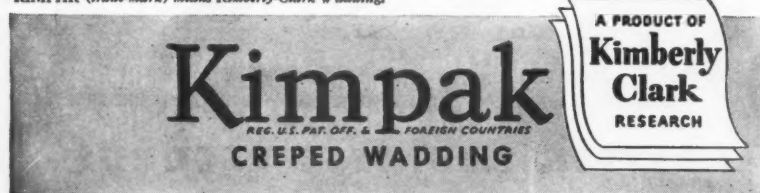
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such action in relation to them as is necessary in order to bring about a balance between production requirements and available manpower.

Previous to the establishment of these committees the various procurement agencies and production officials were competing against each other in tight labor markets. There was little coordination of the contract and facilities activities. The functioning of these committees should improve that situation considerably and indications are that it has already been improved.

At the present time there are eleven of these committees in existence, having full authority as just outlined. They comprise the five original committees on the West Coast plus those in Hartford, Conn.; Akron, Ohio; Detroit, Mich.; Cleveland, Ohio; Buffalo, N. Y.; and Chicago, Ill.

Setting Manpower Priorities

3. The relative needs of employers for workers must be determined in each area. Such determinations must be made by local representatives of the War Manpower Commission in close cooperation with local representatives of procurement and production agencies of Government with the counsel and advice of the Management-Labor War Manpower Committee.

The machinery for fulfilling this objective is known as the Area Manpower Priority Committee. It is the function of this committee to establish the needs of individual employers for workers and to express such needs in terms of manpower ceilings. On these committees are representatives of the procurement agencies, the War Production Board, the Selective Service System, the Conjointed Area Committee, and the various other agencies which may be concerned from time to time in the problems involved. The chairman is a representative of the War Manpower Commission.

This committee is under the general authority of the Area Management-Labor War Manpower Committee. This latter committee is a permanent one which has been in existence for many months and is made up of local representatives of industrial management and labor. The Management-Labor Committee performs four very definite functions in relation to the Manpower Priority Committee: it nominates a chairman; it recommends standards which are to be used in the establishment of manpower priority; currently reviews the actions of the Manpower Priority Committee; and it



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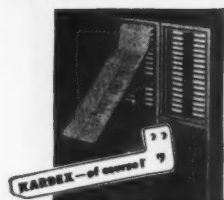
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hears all appeals. These are most important and vital responsibilities.

This is not the only function of the Manpower Priority Committee as will be revealed in the next point to be considered in this program.

The Heart of the Problem

4. The causes for failure to meet and maintain required employment levels in individual employing establishments must be identified, and wherever possible removed. To accomplish this the War Manpower Commission must secure and coordinate the full and cooperative efforts of employers, workers, the community, and other Government agencies.

In the accomplishment of this objective the War Manpower Priority Committee plays a most important part. When it has been determined what the relative urgency is for the production or services of each employer and when it has been determined what the manpower needs are in terms of demand for each employer, it is then necessary to discover why the employer does not have, cannot secure, or cannot keep manpower.

This would seem to some practical minds to be a little bit academic. It happens to be, however, the very heart of the manpower problem. If there are bona fide causes for failure to meet and maintain required employment levels, those causes must be removed. Following are some of the common ones: antiquated personnel policies, inadequate housing or transportation, unreasonable wage differentials or levels, underutilization, untrained or unskilled supervision, sub-standard working conditions, and many minor practices which are irritating and unnecessary.

Such causes must be identified and programs worked out with each individual employer for their removal. There are many conditions beyond the control of the individual employer. It is, therefore, necessary to get the full support and cooperation of the community and of the Government agencies involved where their help will remove the difficulty. If, after all reasonable attempts have been made to meet and maintain required employment levels there is still failure to do so, we then have left only one alternative and that is to put the business somewhere else.

5. The flow of available manpower must be guided to the points where it will contribute most to the war effort. In accordance with plans formulated with local Management-Labor War Manpower Committees, the War Man-

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CANCELLED WAR CONTRACTS may leave you with 50 to 75% of your current assets tied up in an inventory of raw materials. If your business should be affected this way, remember that the inventory you have on hand may be the means of financing re-conversion to current or post-war requirements. Almost any inventory is sound collateral for a bank loan when backed by Lawrence System field warehouse receipts. And the raw materials can remain right on your premises, readily available for processing or marketing.

You can hold your line of credit during this period of adjustment by obtaining an easily negotiated inventory loan through your own bank. Over four hundred commodities have been found acceptable collateral... probably yours is no exception. Or—as materials are released from war requirements, you may have many opportunities to purchase new materials through your bank and Lawrence System. See your banker or contact your nearest Lawrence office for details. Available from coast to coast.

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power Commission must guide this flow of workers in any given area.

If the steps just outlined have been followed we now have an intelligent basis for allocating manpower supply. We know where it is most needed, when it is most needed, and what has to be done to secure and keep the labor at such points. It is necessary, therefore, to guide the labor to those points.

Controlled Referral

For this purpose there has been developed what is known as a controlled referral plan. This is many times misinterpreted as regimentation, as usurpation of rights, and as an imposition of Government upon workers and employers. That is far from the philosophy of the plan.

It is our basic belief that the average American worker wants to contribute where his skills or abilities are the most needed in the war effort. We believe he will do so when he knows where his skills and abilities are most needed. The controlled referral plan, therefore, says to such a worker, "If you will go to the United States Employment Service or to other agencies with which arrangements have been made and which have been identified for that purpose, you can find out where you are most needed." It is intended entirely as a service and as a guide and if used as such it will be extremely effective.

The controlled referral system is one of the many provisions contained in local stabilization plans for guiding or curtailing the movement of labor. These stabilization plans are the medium of the voluntary system. While they are worked out within the framework of national policy, they are primarily the product of local development and are administered locally. The entire country is now blanketed by hundreds of these stabilization agreements.

There are different degrees of controlled referral according to the provisions of the local plans. In some cases there is controlled referral for critical skills which are found on the national list. In others the controlled referral system covers locally critical occupations. Some cover all male workers, others cover male workers and women workers in essential activities, and there are a few that cover all workers in the local area. The stringency of the local labor market determines the degree of the controlled referral system in effect.

6. The volume of production allocated to or retained in any given area



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must be balanced with the ability to supply the necessary manpower. The coordinated agencies of Government responsible for procurement, production, and manpower should make such allocations.

This becomes a function of the Area Production Urgency Committee and was outlined under step No. 1. There are further points of view, however, that may be of value in understanding it.

Human beings are not like material. When you move a human being you tear up roots, you destroy homes, you separate friends, and you create a need for terrific mental and physical adjustments. Furthermore, you cannot keep human beings in stock piles waiting for needs to arise for their services as you can material.

Balancing Labor Supply

Because of this simple truth we are guided by a fundamental policy. Our first attempt is to take production facilities, material, and equipment to the places where there are workers to produce. When we, therefore, find a community where the demand far exceeds the supply of manpower our attempt is to remove some of the business thereby reducing the demand and taking that business to labor surplus areas.

There is, of course, some business that cannot be moved. Time and the nature of the facilities do not permit moving production facilities from some localities. In such cases we must recruit workers from other areas and bring them in to those communities until the demand is met. There workers are volunteers and must be treated as individuals who are coming as the result of a request and of a need that exists for their services.

It is not an easy task to bring production and manpower supply into balance. It is necessary, however, that it be done if we are to meet the accelerated production schedules that the military programs require.

7. All of these actions must be based on the initial conception that the agencies of Government are to serve the people by informing them what has to be done, when and where it must be done, and that the people of the nation are the ones to determine how it shall be done.

This states the central theme and philosophy of the entire proposal. Throughout all of our considerations of the question of manpower and thorough recommendations and resolutions there has been and is a deep conviction

that "fully effective mobilization and utilization of the national manpower will be achieved: when all agencies of Government concerned with procurement, production, and manpower, are administered under the coordinated and well understood arrangement in which Government defines the war needs, enunciates the fundamental policies or 'rules of the game,' confines itself to a minimum of control and administrative detail, and provides the maximum of real assistance to those who must do the work, namely the people of this nation in each community; when all the people understand their personal obligations as related to the war needs, and know where and when to apply their services in such manner as best to aid in the war effort."

Specific Program Evolved

This program has been tried, tested, and is working. The colossal manpower job that has been done in this country did not just happen. Despite some opinion to the contrary it has been accomplished through the application of the steps just outlined. The War Manpower Commission, like the war plants, has increased its "know-how," its efficiency, its effectiveness.

This program has the signed approval of the ranking representatives of management, labor, and agriculture and their pledge to secure and maintain the support of their respective organizations in the application of this program. They have kept this pledge.

Someone has said, and others have accepted the truth, that experience is the greatest teacher. Never in the history of man has any group of human beings ever had the kind or extent of responsibility such as existed with those who have been responsible for the mobilization and utilization of this country's manpower during this war. I do not believe that any thoughtful human being would contend that a full blown, efficient organization with a completely adequate and carefully interrelated program could have come into being within a week's or a month's time of the assignment of such a responsibility. Many mistakes have been made. Much confusion has resulted. The experience, however, has been most valuable.

It is my privilege to say to you that the organization of the War Manpower Commission has been definitely clarified. Likewise a very specific program has evolved from its experiences. We now know quite definitely what has to be done, when and where it must be

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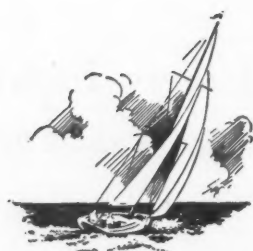
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done. We are fully convinced of and sincerely committed to the policy that the people in the local communities of this nation are the ones to determine how it shall be done.

It is a privilege to report to you today that community after community across this country is doing just that. They are working out the "how" of the manpower job and as they work it out, the manpower problem is being solved by these local communities and by representatives of management and labor who live within these communities.

The path ahead is clear. The response is good. A good job is being done. Much time, thought, and voluntary effort has been put into it. On that basis there can be no failure regardless of how serious the problems may become.

NEW REVENUE ACT

(Continued from page 14)

allowed 95 per cent of the average of their earnings in 1936-1939, or considerably more if their earnings were greater in 1938-1939 than they were in 1936-1937.

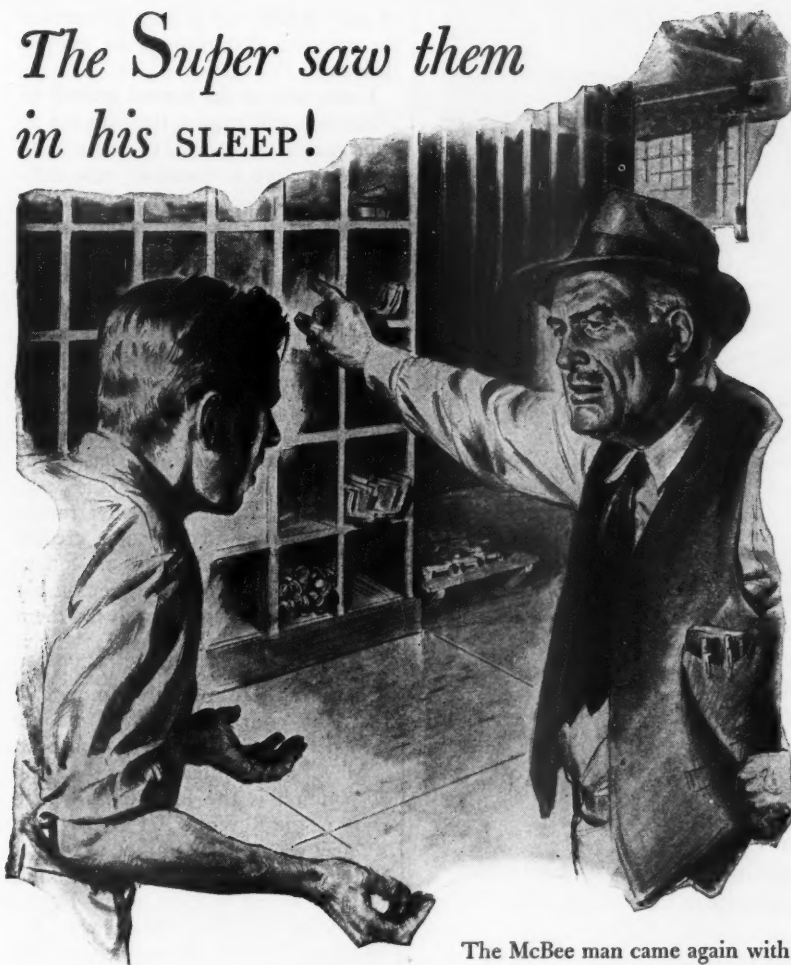
The reduction in percentage of invested capital allowed has the effect also of disproportionately increasing the tax paid by the larger company over that paid by its smaller competitor. For example, Republic Steel indicated at the hearings that it had a credit of 300 million on its invested capital base. The effect of the percentages will give it a credit of about 5.07 per cent on its invested capital, as contrasted to 5.7 per cent in 1943. But competitors of Republic get a larger credit.

If Their Capital Is:	They May Retain:
5 million or less	8% of their capital
Under 10 million	7% of their capital
Under 20 million	6% of their capital

There is another example of legislation with group implications. It is a specific section directed at the elimination of any excess profits credits, deductions or allowances secured by acquisitions of other corporations, or their property, when the principal purpose of the takeover was the curtailment of taxes.

The new law is an expression of Treasury policy in contesting these acquisitions. It has also become fairly fixed in a long series of court decisions in which transfers among corporations have been attacked. Generally the criticism is that tax advantages thus

The Super saw them in his SLEEP!



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The Super sobbed out his troubles to a slide rule joker from Production. The figure guy said "Get McBee!"

A McBEE man made a survey and came back a few days later with a plan that looked good on paper. The Super was willing to be shown.

The McBEE man came again with a mess of Keysort cards, a unit analysis outfit, and a couple of the girls from Accounting. Soon inventory control was a fact. The Super tried to trip up the girls from time to time, but the records were always ahead of him. Shortage warnings were automatic, and on time. The checks on work in process and finished stock were up to date—and correct... And the girls like their jobs!

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secured are not founded upon a sound business purpose; that the aim has been merely to reduce taxes. Condemnation of acquisitions made merely to evade taxes has now been made a part of our code.

The difficulty with the new law is that we often cannot tell the difference between principal purposes. Too often, it is impossible to distinguish between the condemned act and normal business transactions. We therefore seem to be entering a field day for revenue agents in their review of all corporate transactions.

Form vs. Intent

The turning point of the law and, similarly, of the cases which it formalizes, is disregard of form, to focus upon intent. Necessarily the test must be subjective to detect the motive for an act but obviously, no subjective test is possible. Surrounding circumstances and objective facts must be pieced together to discover "the principal purpose." Will an acquisition of indisputable business benefit be illegal if some tax advantage is derived?

Our present tax laws are omnipresent. Every business gesture has a tax implication of its own. A potential increased tax liability may well restrain a proper business act. Certainly, a business action will carry a threat of tax investigation, with its concomitant ills of time-consumption, expense, and litigation. From an economic point of view, may we not say that an expansionist policy on the part of corporations is seriously inhibited? Will it affect all corporations similarly?

A large corporation with heavy excess profits tax liability stands in greater danger of being, to say the least, subject to scrutiny. A presumption of motive is inherent in the facts. On the other hand, a small corporation, absolved from excess profits tax, or with a comparatively light tax burden, lacks the essential motive. The corporation with a pre-war experience of significant proportions, having large earnings credit, the very type of organization which was being absorbed for the tax advantages it would bring, now in its turn, because of its freedom from tax-avoidance implications, offers tax advantages to investing capital.

In our changing economy, it is no radical thought to regard tax factors as of tremendous economic importance. In a free market, unencumbered by governmental control, price, supply, demand, and other factors result from the interplay of economic forces. But when



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an artificial element of the magnitude of our present tax policy is inserted the economic determinates are sharply deflected.

From here on the normal growth of a business will require the firm aid of experienced tax counsel to examine its motives before it assembles new entities. And it will similarly call quickly for that aid in a great many other steps that might run afoul of the Act—for example, the acquisition of property from other corporations when it seems desirable to use their tax basis for depreciation, gain or loss; the division of one corporation into two or more units or the opening of new corporate branches in various states; the acquirement of new corporations that might fit into a consolidated group.

Here now is the law—all arrangements which pervert deductions, credits, or allowances so that they no longer bear a reasonable business relationship to the elements which produced them are suspect. And there, too, is the caution that your records be ready to hand, in a transfer, to completely demonstrate that your course of conduct did not have perversion as its principal purpose.

May it not be inferred that the small corporation is the intentional beneficiary of the Revenue Act of 1943? If so, may we not be permitted to further infer, in view of prior Acts, that a discernible trend is indicated? Future legislation may hold the answer. Regardless of intent, the recipient of help does not question at great length. Sufficient that the adverse weight in the scale of competition has been lightened. The future holds bright prospects for the small corporate executive who can read the portents.

DUN'S REVIEW

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WITH THE EDITORS

THE BUSINESS background of War Manpower Commission Executive Director Lawrence Appley makes his views (page 9) especially important; American Management Association members and many others have long recognized his achievements in personnel work. Before he became Vick Chemical's vice-president in 1941 he was with Socony-Vacuum Oil for eleven years, the last seven as educational director. Among other interests: architecture; sailing; Boy Scouts; serving Glen Ridge, N. J., on the Board of Education, and in other ways.

AUTHOR J. K. Lasser (page 12) is already known to some million people who used his "Your Income Tax" last year. He is known, too, for many other activities related to the practice of his profession. Last year under his editorship D. Van Nostrand, Inc., published the 1,300-page "Handbook of Accounting Methods" which, after dealing with the principles of accounting system design, shows specifically how the principles are applied in some 70 different industries.

IN JUNE, Roy A. Foulke, who will be remembered as the contributor of the annual ratio articles, will summarize plans used in Government financing of war production. The Manager, Specialized Report Department, DUN & BRADSTREET, INC., compares the especial uses and advantages of advance payments and progress payments as well as of different types of loans.

NEXT MONTH, too, Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc., under whose supervision the Regional Barometer figures (page 16) are compiled, will examine the effects of the war on trade. Changes in other statistical series are compared with the changes in the DUN'S REVIEW Regional Trade Barometer; there results a concise review of regional shifts.

IN RESPONSE to requests, Statistician J. A. D'Andrea has compiled in a four-page folder the ten-year record of Building Permit Values for the 215 cities which are reported upon monthly in DUN'S STATISTICAL REVIEW and which are summarized by geographic regions in DUN'S REVIEW (page 18). A copy will be sent on request.



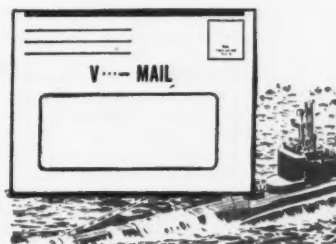
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HOW YOUNG IS YOUR ORGANIZATION?

ONE business advisor has suggested that all post-war planning should be done by men under thirty-five. But the scientists say that time is only one way of measuring age. Actually, some people seem young at sixty and others seem very old at thirty. For some, experience is narrowing as they learn what cannot be done. For others, experience stimulates their imagination and ingenuity.

We know that the post-war world will be a different and perhaps difficult world, but, after all, the pre-war world was nothing to boast about. Success will not come from looking backwards to the misnamed "good old days" but from looking ahead with daring to the opportunities which are there to be uncovered.

Willard L. Thorp.
E D I T O R

